

## Maryland Home Values for All-Transactions Continue to Rise Below National Rates

Home values in Maryland increased by 2.6 percent in the first quarter of 2016 according to the Federal Housing Finance Agency's (FHFA) All-Transaction House Price Index (HPI), the twelfth straight quarter-over-quarter gain ([See Table 3](#)). The HPI tracks average house price changes of existing single-family homes in Maryland that were either purchased or refinanced with conforming mortgage loans<sup>1</sup>. The increase in housing values can be attributed to the historically low interest rates and an improving job market, and somewhat tight supply relative to demand.

Other findings from the latest All-Transactions HPI:

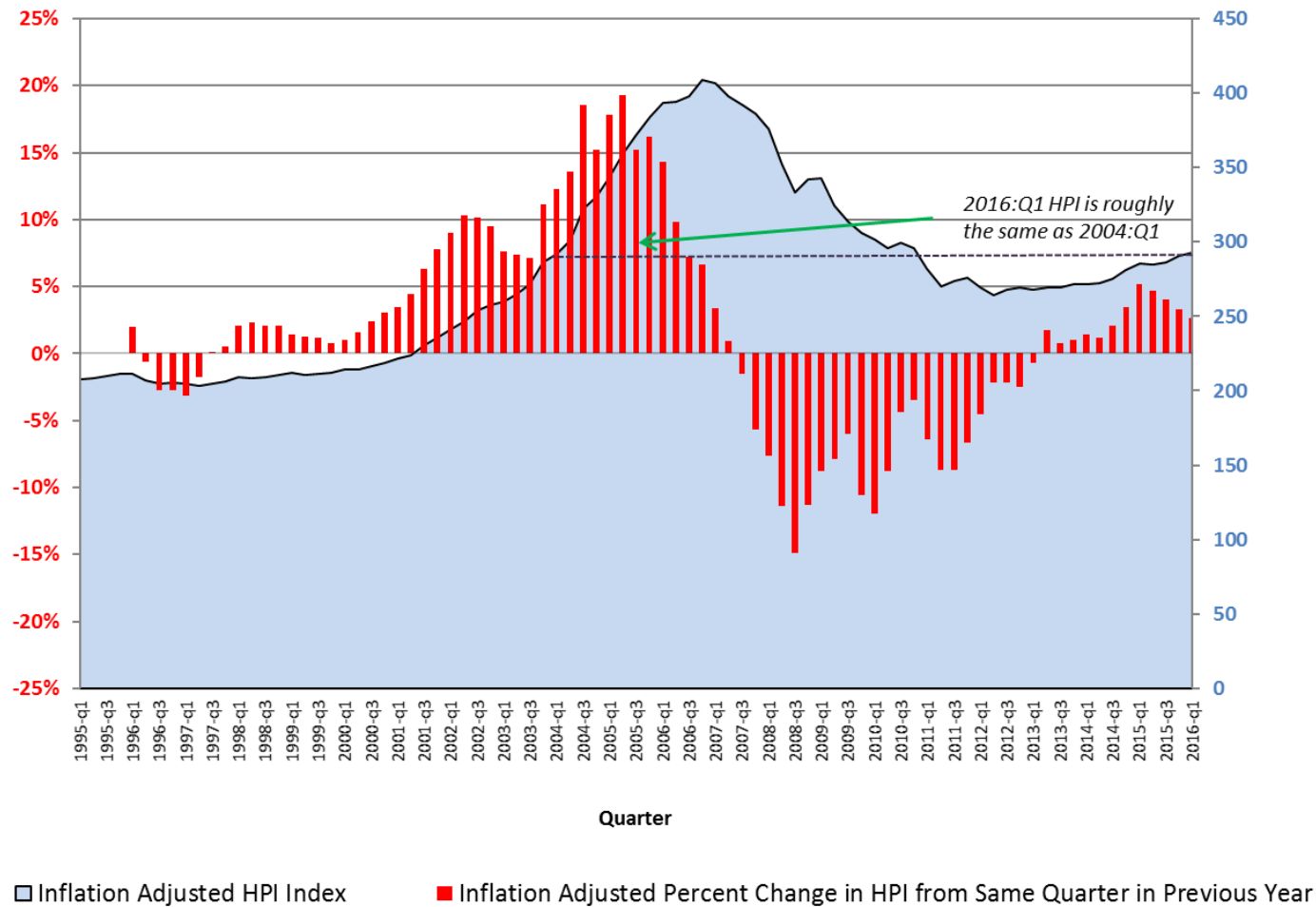
- Nationally, home values rose an inflation-adjusted 5.4 percent in 2016:Q1, more than twice as much as in Maryland and the thirteenth consecutive quarter-over-quarter increase ([See Table 3](#)). Home values nationwide have now increased at a faster rate than Maryland for 13 straight quarters.
- In Maryland, single-family home values are a little above where they were in 2004:Q1 ([See Chart 1](#)). Nationally, the home values are where they were in 2003:Q4
- Single-family home values peaked in 2006:Q4 for both Maryland and the nation. However, the increase in home values for Maryland (97.1%) was much greater than what occurred for the U.S. as a whole (58.8%). Both increases are measured against 1995:Q1, the starting period of the analysis ([See Chart 2](#)).
- Compared to their respective peak quarters, Maryland's current home values are an inflation-adjusted 28.4 percent below the peak, while national home prices are 15.5 percent below their peak.

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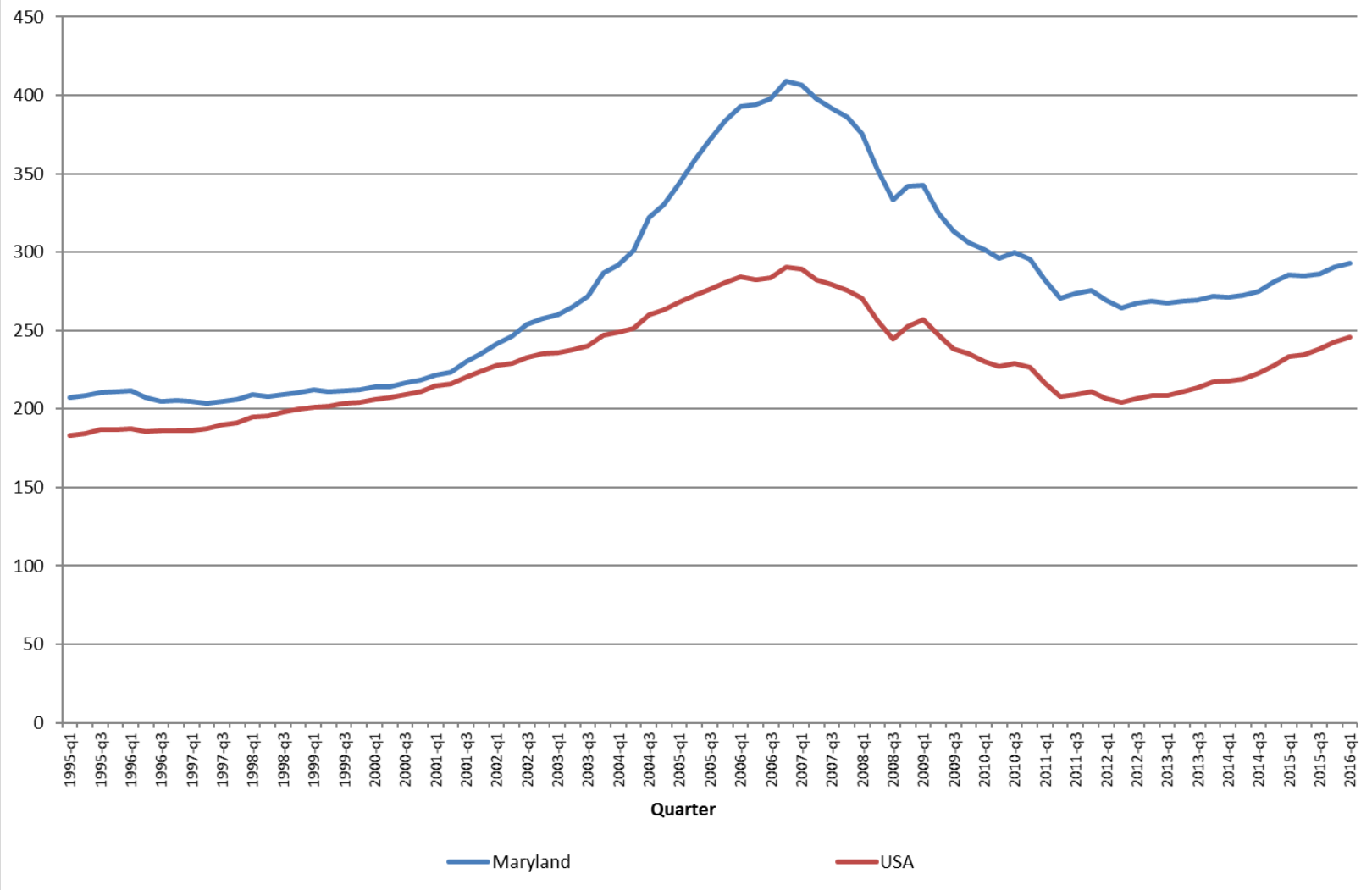
<sup>1</sup> According to the FHFA, "Fannie Mae and Freddie Mac are restricted by law to purchasing single-family mortgages with origination balances below a specific amount, known as the "conforming loan limit." Loans that conform to the limits set by FHFA can be purchased by government-sponsored enterprises (GSEs) such as Fannie Mae and Freddie Mac. These are the only loans tracked by the House Price Index. This data tracks the valuation of existing single-family homes over time for which two mortgages used to purchase a home were originated and subsequently purchased by Freddie Mac or Fannie Mae since 1991. According to the FHFA, "Fannie Mae and Freddie Mac are restricted by law to purchasing single-family mortgages with origination balances below a specific amount, known as the "conforming loan limit." Loans above this limit are known as jumbo loans." Conforming loans are the only loans tracked by the House Price Index. See page 7 for more information.

- The change in Maryland home values between 1995:Q1 and 2016:Q1 (41.2%) is greater than the overall national increase (34.2%) ([See Table 3](#)).
- The 2.6 percent growth in the last quarter is the lowest increase in the last six quarters. ([See Chart 3](#)).
- To illustrate the effects of the rise and fall of housing prices over time: a theoretical \$150,000 house in Maryland in 1995:Q1 would have risen in value to \$295,649 at the peak period of 2006:Q4 and fallen to \$191,221 at its lowest point in 2012:Q2, a -35.3 percent decline from the peak. By 2016:Q1, that house value would have improved to \$211,742, 10.7 percent above its lowest point, but still 28.4 percent below its peak value. ([See Chart 4](#)).
- Similarly for the U.S., the \$150,000 house in 1995:Q1 would have risen in value to \$238,272 at its peak in 2006:Q4 and would have fallen in value to \$167,395 at its low point in 2012:Q2, a -29.7 percent decline from the peak. By 2016:Q1 that house would have improved to \$201,354, 20.3 percent above its lowest point, but still 15.5 percent below its peak value.

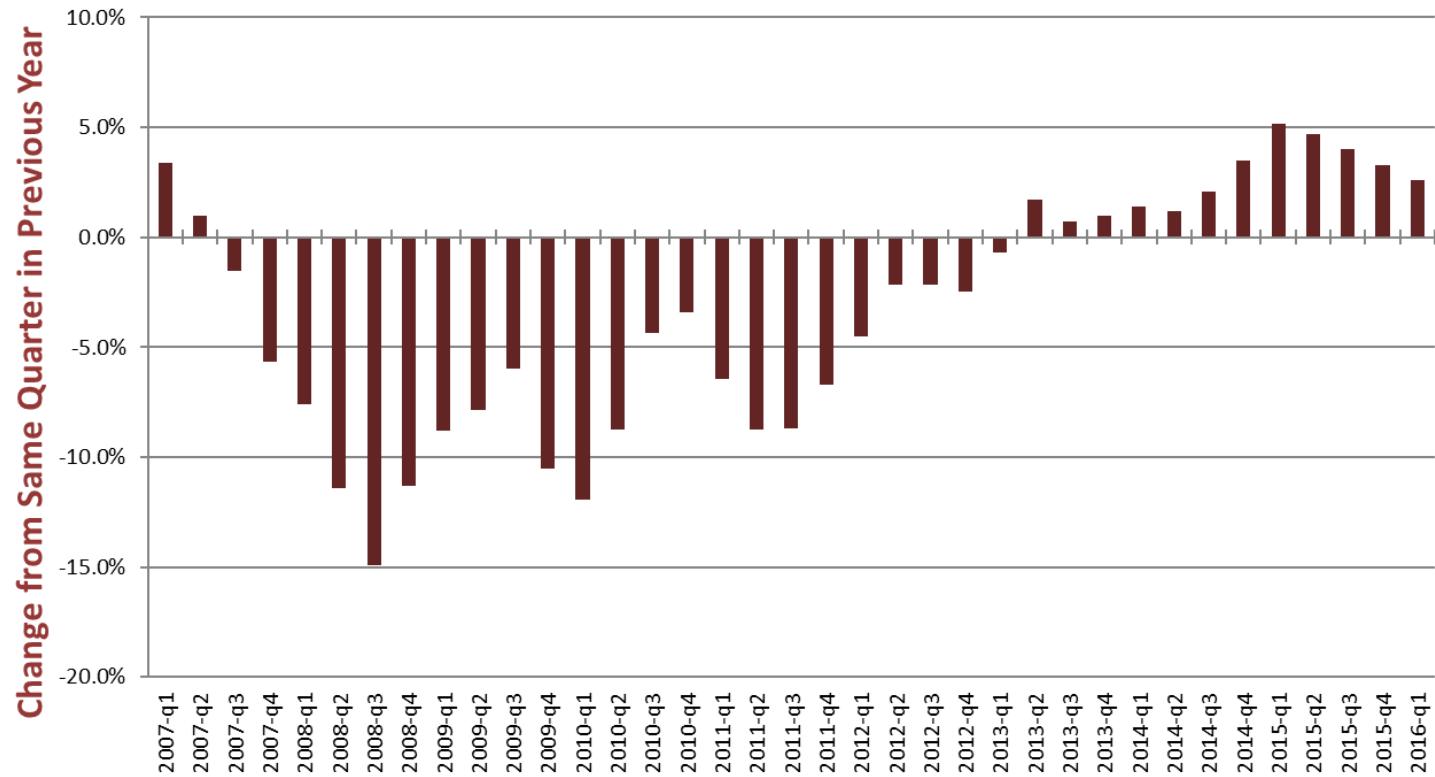
**Chart 1 - All-Transactions HPI for Maryland**  
**1995:Q1 to 2016:Q1, Percentage Change in Index**  
 Adjusted for Inflation



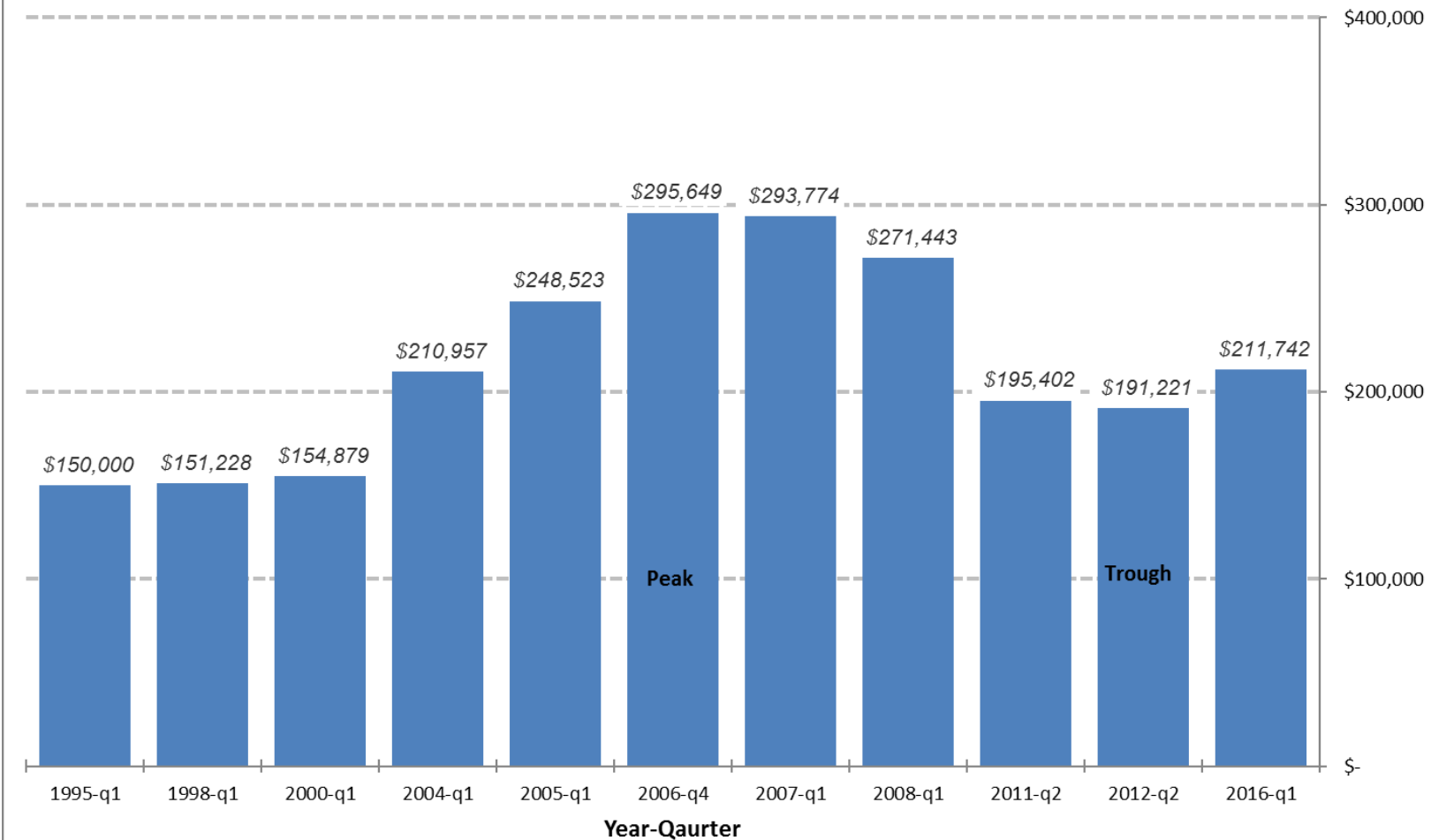
**Chart 2 - All-Transactions House Price Index 1995:Q1 - 2016:Q1**  
Adjusted for Inflation



**Chart 3 - All-Transactions HPI for Maryland**  
**from Peak 2006:Q4 to 2016:Q1**  
 Adjusted for Inflation



**Chart 4 - Theoretical Single-Family Detached Home Price in Maryland, for All-Transactions, 1995:Q1 to 2016:Q1**  
Adjusted for Inflation



## About GSE Conforming Mortgage Loans

Both the Purchase Only House Price Index (HPI) and the All Transactions House Price Index are calculated from information gathered from the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Both Fannie Mae and Freddie Mac are government-sponsored enterprises (GSEs), and are limited by law as to the value of the mortgages that they can purchase from mortgage originators (such as banks and other mortgage lenders). Mortgages that can be purchased by the GSEs are known as conforming conventional mortgages, as they conform to the rules set by Congress for purchase by the GSEs.

This means that other types of mortgages are not included in the HPI calculation. Single-family homes financed by government insured loans (such as VA loans) and those financed by mortgages whose value exceeds the conforming loan threshold (known as jumbo loans) are not included in the HPI. Also, because the HPI only measures single family units, loans for all attached homes, townhomes and condominiums are excluded whether these loans are conforming or not.

Obtaining a conforming loan can be problematic in areas with expensive housing, as even a modest single-family house may require a mortgage that is too large to conform to GSE regulations. In 2008, the FHFA recognized this issue and implemented different maximum levels for “high-cost” counties across the United States.<sup>2</sup> Previously, the only deviations from the national conforming loan limit were for high costs states like Alaska and Hawaii. Current 2016 conforming loan limits for Maryland jurisdictions are listed below.

### Maximum Loan Limits for Loans Acquired in Calendar Year 2016

Metropolitan Statistical Area / Jurisdiction	Conforming Loan Limit
<b>Baltimore-Towson (Metropolitan Area)</b> Component Jurisdictions: Anne Arundel, Baltimore, Carroll, Harford, Howard, and Queen Anne's Counties, Baltimore City	\$517,500
<b>Washington-Arlington-Alexandria, DC-VA-MD-WV (Metropolitan Area)</b> Component Jurisdictions (MD): Calvert, Charles, Frederick, Montgomery, and Prince George's Counties	\$625,500
<b>All Other Jurisdictions</b>	\$417,000

**Source:** Federal Home Finance Agency

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<sup>2</sup> The conforming loan limit in “general” cost counties across the lower 48 states has been \$417,000 since 2006. Before 2008, no conforming mortgage in any county in the lower 48 states could exceed this value.

## About the FHFA's All Transactions House Price Index (HPI)

The All Transactions House Price Index (HPI) is a data series formerly published by the Office of Housing Enterprise Oversight (OFHEO) and now published by the Federal Housing Finance Agency (FHFA), a government agency responsible for overseeing the actions of the Federal National Mortgage Association (FNMA), commonly known as Fannie Mae, and the Federal Home Loan Mortgage Corporation (FHLMC), commonly known as Freddie Mac.<sup>3</sup> According to the FHFA, "The HPI for each geographic area is estimated using repeated observations of housing values for individual single-family residential properties on which at least two mortgages were originated and subsequently purchased by either Freddie Mac or Fannie Mae since January 1975."<sup>4</sup> Data from these two sources cover 40 percent of all mortgages issued in the U.S. Restricting the index to existing housing sales helps to control for the effect that differing housing types and characteristics might have on the data.<sup>5</sup> To remove the effects that inflation has on home prices, the HPI was adjusted for inflation using the Bureau of Labor Statistics' Consumer Price Index "All Items Less Shelter" series.<sup>6</sup>

As this data is published for states and many Metropolitan Statistical Areas (MSAs) within the U.S., it is useful for tracking housing price trends on the state and local level. One fault with this data set is that it only tracks single-family detached housing, which in Maryland only comprises 51.6 percent of all housing units (61.6 percent in the U.S. as a whole). Another is that it doesn't capture the price effects that newly-built homes may have on the housing market until after they have been sold and resold. Even with these faults, the HPI is useful as it supplies consistent data across the U.S. for tracking home price appreciation trends over a 38 year period.

### Number of Housing Units by Units in Structure, Maryland, 1-Year 2014 Estimate

	Maryland	
	Estimate	Margin of Error
Total:	2,422,317	+/-480
1 unit, detached	1,240,633	+/-9,880
1 unit, attached	516,405	+/-8,033
2 units	38,682	+/-3,189
3 or 4 units	58,044	+/-3,693
5 to 9 units	122,665	+/-5,370
10 to 19 units	207,733	+/-6,463
20 to 49 units	56,010	+/-3,438
50 or more units	148,026	+/-4,885
Mobile home	33,482	+/-2,840
Boat, RV, van, etc.	637	+/-416

**Source:** 2014 American Community Survey 1-Year Estimates

<sup>3</sup> The Federal Housing Finance Agency (FHFA) was created on July 30, 2008 through a legislative merger of the Office of Federal Housing Enterprise Oversight (OFHEO), the Federal Housing Finance Board (FHFB) and the U.S. Department of Housing and Urban Development (HUD) government-sponsored enterprise (GSE) mission team. FHFA regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks.

<sup>4</sup> [http://www.fhfa.gov/webfiles/896/hpi\\_tech.pdf](http://www.fhfa.gov/webfiles/896/hpi_tech.pdf).

<sup>5</sup> For more information, see [http://www.fhfa.gov/webfiles/896/hpi\\_tech.pdf](http://www.fhfa.gov/webfiles/896/hpi_tech.pdf).

<sup>6</sup> Adjusted using series ID# CUUR0000SA0L2 as described in question 17 of the HPI FAQ, available at <http://www.fhfa.gov/Media/PublicAffairs/Pages/Housing-Price-Index-Frequently-Asked-Questions.aspx>.



This data set is also related to, but is not the same as, the S&P/Case-Shiller® Home Price Indices published by Standard & Poors. There are four major differences between the S&P/Case-Shiller® Index and FHFA’s All Transactions Home Price Index. First, S&P/Case-Shiller® uses only purchase prices to calibrate their index, while FHFA’s All Transactions HPI uses both purchase prices and refinance appraisals.<sup>7</sup> Second, S&P/Case-Shiller uses selling prices recorded at county assessor’s and recorder’s offices, while FHFA uses data from conforming, conventional mortgages provided by Fannie Mae and Freddie Mac. Third, S&P/Case-Shiller® “value-weights” its index, meaning that more expensive homes have more influence on the index, while FHFA weights all home prices equally. Finally, S&P/Case-Shiller® does not cover 13 states, while FHFA data covers all 50 states. The FHFA created a detailed report that covers the similarities and differences between the two indexes, available at <http://us.spindices.com/documents/methodologies/methodology-sp-cs-home-price-indices.pdf>.

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<sup>7</sup> FHFA has a separate index, the Purchase Only HPI, that uses only purchase price data. That index is discussed in the report *The House Price Index (HPI) for Purchase-Only Conventional Mortgage Transactions in Maryland, 1995 – 2015*, also on this website.